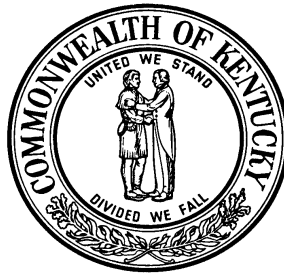


**REPORT OF THE AUDIT OF THE
WAYNE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Greg Rankin, Wayne County Judge/Executive

Members of the Wayne County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC evaluated the Wayne County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WAYNE COUNTY FISCAL COURT

June 30, 2007

Peercy and Gray, PSC, has completed the audit of the Wayne County Fiscal Court for the fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$7,899,817 on June 30, 2007. The fiscal court had unrestricted net assets of \$1,297,153 in its governmental activities on June 30, 2007 with total net assets of \$4,781,139. Total net cash and cash equivalents for the business-type activities were \$371,591 with total net assets of \$3,118,678. The fiscal court had total debt principal on June 30, 2007 of \$13,533,458 with \$651,780 due within the next year.

Report Comments:

- The General Ledger Of The Airport Board Was Incomplete And Inaccurate
- Checks Were Written Without Proper Documentation By The Airport Board
- The Jail Canteen Lacks Adequate Segregation Of Duties
- The Fiscal Court Should Enter Into A Written Agreement With The Depository Institution Stating Collateral Will Be Pledged To Protect Deposits

Deposits:

The fiscal court's deposits were exposed to custodial credit risk as follows:

- \$147,361 Unsecured and Uncollateralized as of August 31, 2006
- \$253,032 Unsecured and Uncollateralized as of June 30, 2007

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Peercy and gray, PSC
Certified Public Accountants
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Louisville, Kentucky 40299
Phone: (502) 493-1090
FAX: (502) 493-7231

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Greg Rankin, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wayne County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Wayne County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison schedules. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Greg Rankin, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2008, on our consideration of Wayne County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The General Ledger Of The Airport Board Was Incomplete And Inaccurate
- Checks Were Written Without Proper Documentation By The Airport Board
- The Jail Canteen Lacks Adequate Segregation Of Duties
- The Fiscal Court Should Enter Into A Written Agreement With The Depository Institution Stating Collateral Will Be Pledged To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

September 12, 2008

WAYNE COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Greg Rankin	County Judge/Executive
Glen Parmley	Magistrate
Darrell Dishman	Magistrate
Richard Munsey	Magistrate
Dale Vaughn	Magistrate

Other Elected Officials:

L. Lee Tobbe	County Attorney
Ray C. Upchurch	Jailer
Melissa Turpin	County Clerk
Richard Morrow	Circuit Court Clerk
Charles Boston	Sheriff
Bobby Upchurch	Property Valuation Administrator
Forrest Hicks	Coroner

Appointed Personnel:

Barbara Gehring	County Treasurer
Barbara Hagen	Occupational Tax Collector
Peggy L. Baker	Finance Officer
Sue Thompson	Payroll Officer
Danny Kinnett	Road Supervisor
Kathy Piercy	Jail Administrator

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WAYNE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

WAYNE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,392,260	\$ 371,591	\$ 1,763,851
Assets Held for Resale	105,000		\$ 105,000
Notes Receivable (Cable System)	92,012		92,012
Total Current Assets	<u>1,589,272</u>	<u>371,591</u>	<u>1,960,863</u>
Noncurrent Assets:			
Notes Receivable (Cable System)	1,977,105		1,977,105
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	347,966		347,966
Land and Land Improvements	931,035	110,312	1,041,347
Buildings	10,363,065	870,811	11,233,876
Other Equipment	423,765	6,806	430,571
Vehicles and Equipment	624,320	2,030	626,350
Infrastructure Assets	2,005,569	1,809,628	3,815,197
Total Noncurrent Assets	<u>16,672,825</u>	<u>2,799,587</u>	<u>19,472,412</u>
Total Assets	<u>18,262,097</u>	<u>3,171,178</u>	<u>21,433,275</u>
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable	460,000		460,000
Financing Obligations Payable	184,280	7,500	191,780
Total Current Liabilities	<u>644,280</u>	<u>7,500</u>	<u>651,780</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	10,675,000		10,675,000
Financing Obligations Payable	2,161,678	45,000	2,206,678
Total Noncurrent Liabilities	<u>12,836,678</u>	<u>45,000</u>	<u>12,881,678</u>
Total Liabilities	<u>13,480,958</u>	<u>52,500</u>	<u>13,533,458</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,388,879	2,747,087	6,135,966
Restricted For:			
Capital Projects	95,107		95,107
Unrestricted	1,297,153	371,591	1,668,744
Total Net Assets	<u>\$ 4,781,139</u>	<u>\$ 3,118,678</u>	<u>\$ 7,899,817</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

WAYNE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,294,566	\$ 733,928	\$ 3,556,117	\$
Protection to Persons and Property	2,624,839	26,203	12,114	437,619
General Health and Sanitation	286,316		281,289	2,000
Social Services	49,897			
Recreation and Culture	83,971			247,442
Roads	1,036,317			
Airports	9,952			
Other Transportation Facilities and Services	6,812			
Debt Service	381,811			
Capital Projects	105,000			
Total Governmental Activities	6,879,481	760,131	3,849,520	687,061
Business-type Activities:				
Jail Canteen	258,561	253,377	10,975	
Airport Board	210,985	99,905		511,990
Total Business-type Activities	469,546	353,282	10,975	511,990
Total Primary Government	\$ 7,349,027	\$ 1,113,413	\$ 3,860,495	\$ 1,199,051

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Occupational Taxes
 Other Taxes
Excess Fees
Miscellaneous Revenues
Interest Income
Transfers

Total General Revenues
Change in Net Assets
Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ 1,995,479	\$	\$ 1,995,479
(2,148,903)		(2,148,903)
(3,027)		(3,027)
(49,897)		(49,897)
163,471		163,471
(1,036,317)		(1,036,317)
(9,952)		(9,952)
(6,812)		(6,812)
(381,811)		(381,811)
(105,000)		(105,000)
(1,582,769)		(1,582,769)
	5,791	5,791
	400,910	400,910
	406,701	406,701
\$ (1,582,769)	\$ 406,701	\$ (1,176,068)
\$ 542,651	\$	\$ 542,651
91,008		91,008
91,276		91,276
1,409,534		1,409,534
1,036,436		1,036,436
184,332		184,332
168,109		168,109
40,674	500	41,174
(5,783)	5,783	
3,558,237	6,283	3,564,520
1,975,468	412,984	2,388,452
2,805,671	2,705,694	5,511,365
\$ 4,781,139	\$ 3,118,678	\$ 7,899,817

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

WAYNE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>	<u>Non- Major Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,182,840	\$ 53,155	\$ 32,121	\$ 95,107	\$ 29,037
Total Assets	<u>\$ 1,182,840</u>	<u>\$ 53,155</u>	<u>\$ 32,121</u>	<u>\$ 95,107</u>	<u>\$ 29,037</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 31,125	\$ 7,975	\$ 37,805	\$	\$ 111
Unreserved:					
General Fund	1,151,715				
Special Revenue Funds		45,180	(5,684)		28,926
Capital Projects Fund				95,107	
Total Fund Balances	<u>\$ 1,182,840</u>	<u>\$ 53,155</u>	<u>\$ 32,121</u>	<u>\$ 95,107</u>	<u>\$ 29,037</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 1,392,260
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	16,556,641
Accumulated Depreciation	(1,860,921)
Assets Held for Resale	105,000
Notes Receivable (Cable System)	2,069,117
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,345,958)
Bonds	<u>(11,135,000)</u>
Net Assets Of Governmental Activities	<u>\$ 4,781,139</u>

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Total Governmental Funds
<u> </u>
\$ 1,392,260
<u> </u>
\$ 1,392,260
<u> </u>
\$ 77,016
1,151,715
68,422
95,107
<u> </u>
\$ 1,392,260
<u> </u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

WAYNE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>
REVENUES				
Taxes	\$ 2,791,017	\$	\$	\$
In Lieu Tax Payments	340,499	952		
Excess Fees	184,332			
Licenses and Permits	35,129			
Intergovernmental	1,083,698	1,657,771	1,107,722	644,789
Charges for Services	733,928		26,203	
Miscellaneous	131,069	5,990	31,050	
Interest	26,519	3,728	893	9,366
Total Revenues	<u>5,326,191</u>	<u>1,668,441</u>	<u>1,165,868</u>	<u>654,155</u>
EXPENDITURES				
General Government	872,293			
Protection to Persons and Property	1,280,507		1,159,271	
General Health and Sanitation	282,839			
Social Services	49,897			
Recreation and Culture	83,971			
Roads		1,776,206		
Airports	9,952			
Road Facilities		6,812		
Debt Service	100,456		2,000	588,611
Capital Projects	628,219			221,677
Administration	1,016,459	88,023	201,792	
Total Expenditures	<u>4,324,593</u>	<u>1,871,041</u>	<u>1,363,063</u>	<u>810,288</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,001,598</u>	<u>(202,600)</u>	<u>(197,195)</u>	<u>(156,133)</u>
Other Financing Sources (Uses)				
Proceeds from Debt	105,000			
Transfers From Other Funds		175,600	492,392	
Transfers to Other Funds	(681,000)		(306,201)	
Total Other Financing Sources (Uses)	<u>(576,000)</u>	<u>175,600</u>	<u>186,191</u>	
Net Change in Fund Balances	425,598	(27,000)	(11,004)	(156,133)
Fund Balances - Beginning (Restated)	757,242	80,155	43,125	251,240
Fund Balances - Ending	<u>\$ 1,182,840</u>	<u>\$ 53,155</u>	<u>\$ 32,121</u>	<u>\$ 95,107</u>

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

	Detention Facility Project Fund	Non- Major Funds	Total Governmental Funds
REVENUES			
Taxes	\$	\$ 3,308	\$ 2,794,325
In Lieu Tax Payments			341,451
Excess Fees			184,332
Licenses and Permits			35,129
Intergovernmental		42,601	4,536,581
Charges for Services			760,131
Miscellaneous			168,109
Interest		168	40,674
Total Revenues		46,077	8,860,732
EXPENDITURES			
General Government		25,260	897,553
Protection to Persons and Property		14,929	2,454,707
General Health and Sanitation			282,839
Social Services			49,897
Recreation and Culture			83,971
Roads			1,776,206
Airports			9,952
Road Facilities			6,812
Debt Service	317,300		1,008,367
Capital Projects			849,896
Administration		4,632	1,310,906
Total Expenditures	317,300	44,821	8,731,106
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(317,300)	1,256	129,626
Other Financing Sources (Uses)			
Proceeds from Debt			105,000
Transfers From Other Funds	306,201	7,225	981,418
Transfers to Other Funds			(987,201)
Total Other Financing Sources (Uses)	306,201	7,225	99,217
Net Change in Fund Balances	(11,099)	8,481	228,843
Fund Balances - Beginning (Restated)	11,099	20,556	1,163,417
Fund Balances - Ending	\$ 0	\$ 29,037	\$ 1,392,260

The accompanying notes are an integral part of the financial statements.

**WAYNE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

WAYNE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 228,843
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	1,584,904
Depreciation Expense	(371,527)
Book Value of Disposed Assets	(3,885)
Purchase of Asset Held for Resale	105,000
Notes Receivable principal received are receipted in the Governmental Funds as source of current financial resources. These transaction have no effect on net assets.	(89,423)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while financing obligation and bond principle payments are expensed in the governmental funds as a use of current financial resources. These transactions, however, have no effect on net assets</p>	
Financing Obligations Proceeds	(105,000)
Financing Obligations Payments	181,556
Bond Payments	445,000
Change in Net Assets of Governmental Activities	<u>\$ 1,975,468</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2007

WAYNE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Airport Board Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 33,976	\$ 337,615	\$ 371,591
Total Current Assets	<u>33,976</u>	<u>337,615</u>	<u>371,591</u>
Noncurrent Assets:			
Capital Assets			
Land and Land Improvements		110,312	110,312
Buildings		1,161,952	1,161,952
Infrastructure		1,885,029	1,885,029
Other Equipment	13,568		13,568
Vehicles and Equipment		9,500	9,500
Less: Accumulated Depreciation	<u>(6,762)</u>	<u>(374,012)</u>	<u>(380,774)</u>
Total Noncurrent Assets	<u>6,806</u>	<u>2,792,781</u>	<u>2,799,587</u>
Total Assets	<u>40,782</u>	<u>3,130,396</u>	<u>3,171,178</u>
Liabilities			
Current Liabilities:			
Financing Obligations		7,500	7,500
Noncurrent Liabilities:			
Financing Obligations		<u>45,000</u>	<u>45,000</u>
Total Liabilities		<u>52,500</u>	<u>52,500</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	6,806	2,740,281	2,747,087
Unrestricted	33,976	337,615	371,591
Total Net Assets	<u>\$ 40,782</u>	<u>\$ 3,077,896</u>	<u>\$ 3,118,678</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

WAYNE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Airport Board Fund	Total
Operating Revenues			
Canteen Receipts	\$ 253,377	\$	\$ 253,377
Airport Receipts		99,905	99,905
Total Operating Revenues	<u>253,377</u>	<u>99,905</u>	<u>353,282</u>
Operating Expenses			
Cost of Sales	156,454	71,392	227,846
Commissions		1,770	1,770
Contract Labor		2,972	2,972
Dues and Subscriptions		1,553	1,553
Educational and Recreational	5,721		5,721
Insurance		11,026	11,026
Labor and Materials		173	173
Personnel Costs	55,838		55,838
Repairs and Maintenance		8,875	8,875
Sales Tax	11,123	4,884	16,007
Depreciation	1,565	95,424	96,989
Interest		1,200	1,200
Miscellaneous	8,330	10,266	18,596
Utilities		1,450	1,450
Total Operating Expenses	<u>239,031</u>	<u>210,985</u>	<u>450,016</u>
Operating Income (Loss)	<u>14,346</u>	<u>(111,080)</u>	<u>(96,734)</u>
Nonoperating Revenues (Expenses)			
Interest Income		500	500
Other Receipts		511,990	511,990
Transfers In		16,175	16,175
Transfers Out	(10,392)		(10,392)
Inmate Pay From State	10,975		10,975
Inmate Refunds	(19,530)		(19,530)
Total Nonoperating Revenues (Expenses)	<u>(18,947)</u>	<u>528,665</u>	<u>509,718</u>
Change In Net Assets	(4,601)	417,585	412,984
Total Net Assets - Beginning	45,383	2,660,311	2,705,694
Total Net Assets - Ending	<u>\$ 40,782</u>	<u>\$ 3,077,896</u>	<u>\$ 3,118,678</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

WAYNE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Airport Board Fund	Totals
Cash Flows From Operating Activities			
Receipts From Customers	\$ 253,377	\$ 99,905	\$ 353,282
Payments to Suppliers	(170,505)	(71,392)	(241,897)
Payments to Employees	(55,838)		(55,838)
Other	(11,123)	(44,169)	(55,292)
Net Cash Provided By Operating Activities	15,911	(15,656)	255
Cash Flows From Noncapital Financing Activities			
Inmate Pay From State	10,975		10,975
Transfers In		16,175	16,175
Transfers Out	(10,392)		(10,392)
Inmate Refunds on Accounts	(19,530)		(19,530)
Net Cash Provided By Noncapital Financing Activities	(18,947)	16,175	(2,772)
Cash Flows From Capital and Related Financing Activities			
State and Federal Monies		511,990	511,990
Payments on Debt		(7,500)	(7,500)
Capital Outlay		(246,468)	(246,468)
Net Cash (Used) Provided By Capital and Related Financing Activities		258,022	258,022

The accompanying notes are an integral part of the financial statements.

WAYNE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Airport Board Fund	Totals
Cash Flows From Investing Activities			
Interest Earned	\$	\$ 500	\$ 500
Net Cash Provided By Investing Activities		500	500
Net Increase (Decrease) in Cash and Cash Equivalents	(3,036)	259,041	256,005
Cash and Cash Equivalents - July 1, 2006	37,012	78,574	115,586
Cash and Cash Equivalents - June 30, 2007	\$ 33,976	\$ 337,615	\$ 371,591
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 14,346	\$ (111,080)	\$ (96,734)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	1,565	95,424	96,989
Net Cash Provided By Operating Activities	\$ 15,911	\$ (15,656)	\$ 255

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county prepares its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Wayne County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Wayne County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Justice Center Project Fund and Detention Facility Project Fund.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Wayne County Airport Board

The Wayne County Airport Board (the Board) was established to oversee the operations of the Wayne County Airport. The Board does not have separate corporate powers from those of the Fiscal Court. Therefore, management must include the Board as a component unit and the Board's financial activity has been blended with that of the Fiscal Court. The Board's financial information is reported in the Airport Board Fund.

C. Wayne County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Wayne County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Wayne County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide and fund financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Detention Facility Project Fund - This fund accounts for the accumulation of resources for the payment of long-term debt principal and interest for the Wayne County Detention Facility and is a part of the Public Properties Corporation. The Public Properties Corporation issued debt to build a detention facility and has entered into a contract, lease, and option with the County. The Department for Local Government does not require the fiscal court to report or budget these funds.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Justice Center Project Fund - This fund accounts for the funds used for construction of a new Justice Center and is a part of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build the Justice Center and has entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

The government also has the following non-major governmental funds: Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, and Timberland Tax Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, and Timberland Tax Fund are special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Justice Center Project Fund is a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Detention Facility Project Fund is a debt service fund. Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales and services in the Jail Canteen Fund and the Airport Board Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Airport Board Fund - This fund is used to account for the operations of the Wayne County Airport. Operating revenues of this fund are derived mainly from fuel and water sales and the rental of hangar space at the airport. Operating expenses consist mainly of the cost of sales, office expenses and depreciation.

E. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land and land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, long-term loan agreements, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Corporation Fund, the Jail Canteen Fund, or the Airport Board Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Wayne County Fiscal Court:

Tri-County Animal Control is considered a joint venture with Wayne, Clinton and Cumberland County Fiscal Courts.

Monticello-Wayne County Park is considered a joint venture with the Wayne County Fiscal Court and the City of Monticello.

Community Telecom Services is considered a joint venture with the Wayne County Fiscal Court and the City of Monticello.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the county did not have a written agreement with one of its depository institutions stating that collateral will be pledged to protect deposits.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of August 31, 2006 and June 30, 2007, the collateral and FDIC insurance of the County together did not equal or exceed the amount on deposit, leaving \$147,361 and \$253,032, respectively, exposed to custodial credit risk as follows:

- Uncollateralized and unsecured on August 31, 2006 - \$147,361
- Uncollateralized and unsecured on June 30, 2007 - \$253,032

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 931,035	\$	\$	\$ 931,035
Construction In Progress	6,440,067	347,966	(6,440,067)	347,966
Total Capital Assets Not Being Depreciated	7,371,102	347,966	(6,440,067)	1,279,001
Capital Assets, Being Depreciated:				
Buildings	4,347,719	6,661,744		11,009,463
Other Equipment	516,714	110,602		627,316
Vehicles and Equipment	1,385,214	83,400	(10,500)	1,458,114
Infrastructure	1,361,488	821,259		2,182,747
Total Capital Assets Being Depreciated	\$ 7,611,135	\$ 7,677,005	\$ (10,500)	\$ 15,277,640

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Less Accumulated Depreciation For:				
Buildings	\$ (520,399)	\$ (125,999)	\$	\$ (646,398)
Other Equipment	(148,005)	(55,546)		(203,551)
Vehicles and Equipment	(737,736)	(102,673)	6,615	(833,794)
Infrastructure	(89,869)	(87,309)		(177,178)
Total Accumulated Depreciation	(1,496,009)	(371,527)	6,615	(1,860,921)
Total Capital Assets, Being Depreciated, Net	6,115,126	7,305,478	(3,885)	13,416,719
Governmental Activities Capital Assets, Net	<u>\$ 13,486,228</u>	<u>\$ 7,653,444</u>	<u>\$ (6,443,952)</u>	<u>\$ 14,695,720</u>
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 110,312	\$	\$	\$ 110,312
Construction in progress	1,638,561	246,468	(1,885,029)	
Total Capital Assets Not Being Depreciated	1,748,873	246,468	(1,885,029)	110,312
Capital Assets, Being Depreciated:				
Buildings	1,161,952			1,161,952
Other Equipment	13,568			13,568
Vehicles and Equipment	9,500			9,500
Infrastructure		1,885,029		1,885,029
Total Capital Assets Being Depreciated	1,185,020	1,885,029		3,070,049
Less Accumulated Depreciation For:				
Buildings	(271,388)	(19,753)		(291,141)
Other Equipment	(5,197)	(1,565)		(6,762)
Vehicles and Equipment	(7,200)	(270)		(7,470)
Infrastructure		(75,401)		(75,401)
Total Accumulated Depreciation	(283,785)	(96,989)		(380,774)
Total Capital Assets, Being Depreciated, Net	901,235	1,788,040		2,689,275
Business-Type Activities Capital Assets, Net	\$ 2,650,108	\$ 2,034,508	\$ (1,885,029)	\$ 2,799,587

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 97,799
Protection to Persons and Property	170,132
General Health and Sanitation	3,477
Roads, Including Depreciation of General Infrastructure Assets	<u>100,119</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 371,527</u></u>
<u>Business-Type Activities</u>	
Jail Canteen	\$ 1,565
Airport	<u>95,424</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 96,989</u></u>

Note 4. Long-term Debt

A. Justice Center - Series 2003 Bond Issue

On January 1, 2003, the Public Properties Corporation issued \$7,395,000 of First Mortgage Revenue Bonds, Series 2003, for the construction of the Wayne County Justice Center. The bonds have various interest rates from 3.50% to 4.25%. Interest is payable each March 1 and September 1, commencing September 1, 2003. Principal is payable each September 1, commencing September 1, 2004. Revenue bonds outstanding at June 30, 2007, were \$6,620,000. Future debt service requirements are:

Fiscal Year Ended June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 275,000	\$ 267,559
2009	290,000	256,603
2010	300,000	244,802
2011	310,000	232,603
2012	325,000	219,903
2013-2017	1,830,000	889,132
2018-2022	2,255,000	467,503
2023-2025	<u>1,035,000</u>	<u>44,515</u>
Totals	<u><u>\$ 6,620,000</u></u>	<u><u>\$ 2,622,620</u></u>

B. Justice Center - Series 2005 Bonds

On September 1, 2005, the Public Properties Corporation issued \$560,000 of First Mortgage Revenue Bonds, Series 2005, for the final construction of the Wayne County Justice Center. The bonds have various interest rates from 3.30% to 4.1%. Interest is payable each March 1 and September 1 commencing March 1, 2006. Principal is payable each September 1 commencing September 1, 2006. Revenue bonds outstanding at June 30, 2007, were \$535,000. Future debt service requirements are:

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

B. Justice Center - Series 2005 Bonds

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 25,000	\$ 20,103
2009	20,000	19,360
2010	25,000	18,618
2011	25,000	17,793
2012	25,000	16,911
2013-2017	150,000	68,856
2018-2022	175,000	36,930
2023-2025	90,000	3,689
Totals	<u>\$ 535,000</u>	<u>\$ 202,260</u>

C. Detention Center - Series 1999 First Mortgage Revenue Bonds

On November 10, 1999, the Public Properties Corporation issued \$4,665,000 of First Mortgage Revenue Bonds, Series 1999, for the construction of the Wayne County Detention Facility. During fiscal year 2007, the Public Properties Corporation issued General Obligation Refunding Bonds, Series 2007 (Note 4.D.). A portion of this bond issue was used to defease the First Mortgage Revenue Bonds, Series 1999. As of June 30, 2007, the escrow account had a balance of \$4,125,000.

D. Detention Center - Series 2007 Refunding Bonds

On March 1, 2006, the Public Properties Corporation issued \$4,135,000 of General Obligation Refunding Bonds, Series 2006, for the Wayne County Detention Facilities Project. The bonds have an interest rate of 4.0%. Interest is payable each May 1 and November 1 commencing May 1, 2006. Principal is payable each November 1 commencing November 1, 2006. General Obligation Refunding Bonds outstanding at June 30, 2007, were \$3,980,000. Future debt service requirements are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 160,000	\$ 156,000
2009	160,000	149,600
2010	170,000	143,000
2011	175,000	136,100
2012	185,000	128,900
2013-2017	1,020,000	527,600
2018-2022	1,240,000	302,200
2023-2025	870,000	53,000
Totals	<u>\$ 3,980,000</u>	<u>\$ 1,596,400</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Financing Obligations

The county has entered into the following agreements:

A. Fire Pumper

On April 5, 2004, the Wayne County Fiscal Court entered into a \$163,000 agreement with Kentucky Association of Counties Leasing Trust Program for the acquisition of a Fire Pumper. Terms of the agreement stipulate a five-year repayment schedule, with variable interest payments and variable annual principal payments ending on April 20, 2009. As of June 30, 2007, the principal balance remaining was \$88,301. Future principal and interest requirements are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 42,230	\$ 2,479
2009	<u>46,071</u>	<u>888</u>
Totals	<u>\$ 88,301</u>	<u>\$ 3,367</u>

B. Ambulances

On December 22, 2003, the Wayne County Fiscal Court entered into a \$150,900 agreement with Kansas State Bank of Manhattan for the acquisition of two 2003 McCoy Miller Type I Ambulances. Terms stipulated a five-year repayment schedule of twenty (20) quarterly payments through December 22, 2008, at 4.29% interest. As of June 30, 2007, the principal balance remaining was \$48,696. Future principal and interest requirements are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 32,116	\$ 1,577
2009	<u>16,580</u>	<u>267</u>
Totals	<u>\$ 48,696</u>	<u>\$ 1,844</u>

C. Airport Loan (Business-Type Activities)

On October 20, 2003, the Airport Board, with approval from the Wayne County Fiscal Court entered into a \$75,000 loan agreement with the Kentucky Transportation Cabinet for the improvement of the airport. Terms of the agreement stipulate a ten-year repayment schedule with interest of two percent. Future principal and interest requirements are:

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Financing Obligations (Continued)

C. Airport Loan (Business-Type Activities) (Continued)

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2008	\$ 7,500	\$ 1,050
2009	7,500	900
2010	7,500	750
2011	7,500	600
2012	7,500	450
2013-2014	15,000	450
Totals	<u>\$ 52,500</u>	<u>\$ 4,200</u>

D. Cable System Loan/Notes Receivable

On August 12, 2004, the Wayne County Fiscal Court passed and adopted a resolution authorizing the county to enter into a joint venture with the City of Monticello for the purchase and improvement of a cable television system. Financing of the county's portion of the project is to be provided through a certain lease agreement between the Kentucky League of Cities Leasing Trust ("the Lessor") and the County ("the Lessee") at an aggregate principal amount not to exceed \$2,300,000. Terms of the agreement stipulate a twenty-year repayment schedule beginning December 2004, with interest of 2.23%. The annual debt service to be paid from the cable service fees collected. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 92,012	\$ 61,349
2009	94,956	58,405
2010	97,733	55,627
2011	100,685	52,676
2012	103,633	49,727
2013-2017	567,353	199,448
2018-2022	657,988	108,813
2023-2025	354,756	15,862
Totals	<u>\$ 2,069,117</u>	<u>\$ 601,907</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Financing Obligations (Continued)

D. Cable System Loan/Notes Receivable (Continued)

The County has also recorded a note receivable due from the joint venture for the amount of the debt incurred by the County as follows:

Current Portion	\$ 92,012
Long-Term Portion	<u>1,977,105</u>
Total	<u><u>\$ 2,069,117</u></u>

E. Ambulance and Heart Monitor

On October 13, 2004, the Wayne County Fiscal entered into a \$74,000 agreement with Kentucky Association of Counties Leasing Trust Program for the acquisition of an Ambulance and Heart Monitor. Terms of the agreement stipulate a five-year repayment schedule, with a 2.73% fixed interest rate and annual principal payments of \$15,000 ending on January 20, 2009. As of June 30, 2007, the principal balance remaining was \$29,000. Future principal and interest requirements are:

	<u>Governmental Activities</u>	
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 15,000	\$ 819
2009	<u>14,000</u>	<u>301</u>
Totals	<u><u>\$ 29,000</u></u>	<u><u>\$ 1,120</u></u>

F. Hope Center

On February 16, 2001, the Wayne County Fiscal Court entered into a lease with option to purchase agreement with the Commonwealth of Kentucky for the acquisition of the Hope Center formerly the Old Maintenance Site. Terms of the agreement stipulate a yearly principal payment of \$2,922 for a period of ten years ending on July 1, 2010. As of June 30, 2007, the principal balance remaining was \$5,844.

	<u>Governmental Activities</u>
<u>Fiscal Year Ended June 30</u>	<u>Principal</u>
2008	\$ 2,922
2009	<u>2,922</u>
Totals	<u><u>\$ 5,844</u></u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 5. Financing Obligations (Continued)

G. Mack Dump Truck/Asset Held For Resale

On March 28, 2007, the Wayne County Fiscal entered into a \$105,000 lease agreement with the Bank of New York for the acquisition of a 2007 Mack dump truck. Terms of the agreement stipulate an eighteen month repayment schedule, with a 4% fixed interest rate and the principal payments of \$105,000 due on September 20, 2008. As of June 30, 2007, the principal balance remaining was \$105,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008		4,235
2009	\$ 105,000	\$ 2,100
Totals	\$ 105,000	\$ 6,335

H. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds (Note 4.)	\$ 11,580,000	\$	\$ 445,000	\$11,135,000	\$ 460,000
Financing Obligations	2,422,514	105,000	181,556	2,345,958	184,280
Governmental Activities					
Long-term Liabilities	\$ 14,002,514	\$ 105,000	\$ 626,556	\$13,480,958	\$ 644,280
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities:</u>					
Long Term Airport Loan	\$ 60,000	\$ 0	\$ 7,500	\$ 52,500	\$ 7,500

Note 6. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$381,811 in interest on financing obligations, bonds, and notes.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

On February 24, 2000, the Wayne County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2007, Wayne County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Fund Balance - Deficit

As of June 30, 2007, the Jail Fund had a deficit in its' unreserved special revenue fund balance in the amount of \$5,684. This deficit was due to the existence of encumbrances in the amount of \$37,805.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 11. Prior Period Adjustments

The Beginning Net Assets of Governmental Activities on the Statement of Activities and the Beginning Fund Balance of the Detention Facility Project Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds have been restated by \$8,105. This was due to the prior year recording of the cash accounts of the refunded bond issue that should not have been included in the cash balance.

Note 12. Subsequent Events

During the fiscal year ending June 30, 2007, the county received \$226,109 in funds from the Illegal Dump Remediation Grant. On February 14, 2008, the county returned \$138,736 in unused funds.

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,870,375	\$ 2,769,986	\$ 2,791,017	\$ 21,031
In Lieu Tax Payments	234,000	304,034	340,499	36,465
Excess Fees	39,786	184,331	184,332	1
Licenses and Permits	17,075	28,798	35,129	6,331
Intergovernmental Revenue	3,651,415	3,524,866	1,083,698	(2,441,168)
Charges for Services	842,100	782,100	733,928	(48,172)
Miscellaneous	55,200	60,309	28,254	(32,055)
Interest	4,000	4,855	26,519	21,664
Total Revenues	<u>\$ 7,713,951</u>	<u>\$ 7,659,279</u>	<u>\$ 5,223,376</u>	<u>\$ (2,435,903)</u>
EXPENDITURES				
General Government	1,406,193	1,494,558	890,611	603,947
Protection to Persons and Property	1,403,285	1,537,069	1,432,160	104,909
General Health and Sanitation	1,558,517	434,372	282,839	151,533
Social Services	404,659	403,524	49,897	353,627
Recreation and Culture	393,100	395,400	83,971	311,429
Airports	12,000	26,182	26,127	55
Capital Projects	926,922	1,926,922	350,888	1,576,034
Administration	1,291,452	1,539,168	1,016,460	522,708
Total Expenditures	<u>\$ 7,396,128</u>	<u>\$ 7,757,195</u>	<u>\$ 4,132,953</u>	<u>\$ 3,624,242</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>317,823</u>	<u>(97,916)</u>	<u>1,090,423</u>	<u>1,188,339</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(517,823)</u>	<u>(659,325)</u>	<u>(664,825)</u>	<u>(5,500)</u>
Total Other Financing Sources (Uses)	<u>\$ (517,823)</u>	<u>\$ (659,325)</u>	<u>\$ (664,825)</u>	<u>\$ (5,500)</u>
Net Changes in Fund Balance	(200,000)	(757,241)	425,598	1,182,839
Fund Balance - Beginning	<u>200,000</u>	<u>757,241</u>	<u>757,242</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,182,840</u>	<u>\$ 1,182,840</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 660	\$ 952	\$ 952	\$
Intergovernmental Revenue	1,648,890	1,657,771	1,657,771	
Miscellaneous		5,989	5,990	1
Interest	6,300	3,255	3,728	473
Total Revenues	<u>\$ 1,655,850</u>	<u>\$ 1,667,967</u>	<u>\$ 1,668,441</u>	<u>\$ 474</u>
EXPENDITURES				
Roads	1,548,296	1,890,376	1,776,206	114,170
Road Facilities	3,898	7,698	6,812	886
Administration	113,656	100,647	88,023	12,624
Total Expenditures	<u>\$ 1,665,850</u>	<u>\$ 1,998,721</u>	<u>\$ 1,871,041</u>	<u>\$ 127,680</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(330,754)</u>	<u>(202,600)</u>	<u>128,154</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		250,600	175,600	(75,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 250,600</u>	<u>\$ 175,600</u>	<u>\$ (75,000)</u>
Net Changes in Fund Balance	(10,000)	(80,154)	(27,000)	53,154
Fund Balance - Beginning	10,000	80,154	80,155	1
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53,155</u>	<u>\$ 53,155</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,012,748	\$ 1,153,647	\$ 1,107,722	\$ (45,925)
Charges for Services	38,779	38,779	36,595	(2,184)
Miscellaneous	37,935	37,935	31,050	(6,885)
Interest	788	788	893	105
Total Revenues	<u>\$ 1,090,250</u>	<u>\$ 1,231,149</u>	<u>\$ 1,176,260</u>	<u>\$ (54,889)</u>
EXPENDITURES				
Protection to Persons and Property	1,111,413	1,178,874	1,159,271	19,603
Debt Service	318,300	310,737	308,201	2,536
Administration	224,635	261,134	201,792	59,342
Total Expenditures	<u>\$ 1,654,348</u>	<u>\$ 1,750,745</u>	<u>\$ 1,669,264</u>	<u>\$ 81,481</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(564,098)</u>	<u>(519,596)</u>	<u>(493,004)</u>	<u>26,592</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	514,098	476,470	482,000	5,530
Total Other Financing Sources (Uses)	<u>\$ 514,098</u>	<u>\$ 476,470</u>	<u>\$ 482,000</u>	<u>\$ 5,530</u>
Net Changes in Fund Balance	(50,000)	(43,126)	(11,004)	32,122
Fund Balance - Beginning	50,000	43,126	43,125	(1)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,121</u>	<u>\$ 32,121</u>

WAYNE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of the General Fund

Total Revenues-Budgetary Basis	\$ 5,223,376
To Record Donated Asset	102,815
Total Revenues-Modified Cash Basis	<u>\$ 5,326,191</u>
 Total Expenditures-Budgetary Basis	 \$ 4,132,953
To Record Capital Purchase Not Budgeted	105,000
To Reclass Transfer to Airport Board	(16,175)
To Record Donated Asset	102,815
Total Expenditures-Modified Cash Basis	<u>\$ 4,324,593</u>
 Total Other Financing Sources and Uses-Budgetary Basis	 \$ (664,825)
To Reclass Transfer to Airport Board	(16,175)
To Record Debt Proceeds Not Budgeted	105,000
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ (576,000)</u>

Reconciliation of the Jail Fund

Total Revenues-Budgetary Basis	\$ 1,176,260
To Reclass Transfer from Jail Canteen	(10,392)
Total Revenues-Modified Cash Basis	<u>\$ 1,165,868</u>
 Total Expenditures-Budgetary Basis	 \$ 1,669,264
To Reclass Transfer for Debt Payments	(306,201)
Total Expenditures-Modified Cash Basis	<u>\$ 1,363,063</u>
 Total Other Financing Sources and Uses-Budgetary Basis	 \$ 482,000
To Reclass Transfer from Jail Canteen	10,392
To Reclass Transfer for Debt Payments	(306,201)
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ 186,191</u>

**WAYNE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

WAYNE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2007

	LGEA Fund	Homeland Security Fund	Emergency Management Fund	Timberland Tax Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 10,560	\$ 1,938	\$ 8,918	\$ 7,621	\$ 29,037
Total Assets	<u>\$ 10,560</u>	<u>\$ 1,938</u>	<u>\$ 8,918</u>	<u>\$ 7,621</u>	<u>\$ 29,037</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$	\$	\$ 111	\$	\$ 111
Unreserved:					
Special Revenue Funds	<u>\$ 10,560</u>	<u>\$ 1,938</u>	<u>\$ 8,807</u>	<u>\$ 7,621</u>	<u>\$ 28,926</u>
Total Fund Balances	<u>\$ 10,560</u>	<u>\$ 1,938</u>	<u>\$ 8,918</u>	<u>\$ 7,621</u>	<u>\$ 29,037</u>

The accompanying notes are an integral part of the financial statements.

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WAYNE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007

WAYNE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	LGEA Fund	Homeland Security Fund	Emergency Management Fund	Timberland Tax Fund	Total Non-Major Governmental Funds
REVENUES					
Taxes	\$	\$	\$	\$ 3,308	\$ 3,308
Intergovernmental	31,535		11,066		42,601
Interest	85			83	168
Total Revenues	<u>31,620</u>		<u>11,066</u>	<u>3,391</u>	<u>46,077</u>
EXPENDITURES					
General Government	25,260				25,260
Protection to Persons and Property			11,063	3,866	14,929
Administration	4,632				4,632
Total Expenditures	<u>29,892</u>		<u>11,063</u>	<u>3,866</u>	<u>44,821</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,728</u>		<u>3</u>	<u>(475)</u>	<u>1,256</u>
Other Financing Sources (Uses)					
Transfers From Other Funds			7,225		7,225
Total Other Financing Sources (Uses)			<u>7,225</u>		<u>7,225</u>
Net Change in Fund Balances	1,728	0	7,228	(475)	8,481
Fund Balances - Beginning	8,832	1,938	1,690	8,096	20,556
Fund Balances - Ending	<u>\$ 10,560</u>	<u>\$ 1,938</u>	<u>\$ 8,918</u>	<u>\$ 7,621</u>	<u>\$ 29,037</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Peercy and gray, PSC
Certified Public Accountants
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Louisville, Kentucky 40299
Phone: (502) 493-1090
FAX: (502) 493-7231

The Honorable Greg Rankin, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated September 12, 2008. Wayne County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The General Ledger Of The Airport Board Was Incomplete And Inaccurate
- Checks Were Written Without Proper Documentation By The Airport Board
- The Jail Canteen Lacks Adequate Segregation Of Duties

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Wayne County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is included in the accompanying schedule of comments and recommendations.

- The Fiscal Court Should Enter Into A Written Agreement With The Depository Institution Stating Collateral Will Be Pledged To Protect Deposits

The Wayne County Judge/Executive's, Airport Board Chairman's, and Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the officials' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

September 12, 2008

**WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2007

**WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2007

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The General Ledger Of The Airport Board Was Incomplete and Inaccurate

During our review of the Airport Board's general ledger, we found the following deficiencies:

- A review of the bank statements and the general ledger found \$13,401 in unrecorded deposits and \$83 in unrecorded expenses.
- We discovered errors in classification of revenues and expenses in the amounts of \$31,955 and \$17, respectively.
- The above errors resulted in a \$13,038 difference in the cash balance on the balance sheet and the bank reconciliation presented.

We recommend that the general ledger be adequately maintained and reconciled to the bank statements on a monthly basis and any posting errors be corrected.

Airport Board Chairman Ralph Davis's Response: None.

Airport Board Checks Were Written Without Proper Documentation

During our review of expenditures, the staff had difficulty in locating many invoices paid by the Airport Board. Upon inquiry, auditors were told that sometimes checks were written for construction payments by the bookkeeper without being presented an actual invoice. All but one of these invoices, a federal award expenditure, were eventually located and agreed with the checks written for payment.

We recommend that all invoices be presented for payment before the check is written, and the invoices should be filed.

Airport Board Chairman Ralph Davis's Response: The criticism that we write checks without invoices is completely false. All of the invoices that were in question were presented except one federal award expenditure that we could not find the invoice for at the time of the audit. Invoices for these expenditures are presented to the board for payment two or three months prior to the payment. Once the Airport Board receives the invoice, it is signed by the chairman and submitted to state and federal agencies for payment to us. Once we receive the state and federal payment, then the check is issued to the contractor. If we don't get an invoice, we don't get paid and therefore the contractor will not get paid. We had the invoice, but for some reason, we did not make a copy of it before it was submitted for payment.

You recommended that invoices should be kept in the file and I agree and they all were except one that I noted above, but your recommendation that all invoices be presented for payment before the check is written is unfair criticism because we did not (and do not) write a check for anything without an invoice being presented first.

Auditors' Response: Any strong internal control system over expenditures should include a requirement that a disbursement should not be made without supporting documentation being presented. During our review of expenditures which includes inquiry of management, the bookkeeper stated several times that a check was sometimes written without supporting documentation being presented. The difficulty

WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2007
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

Airport Board Checks Were Written Without Proper Documentation (Continued)

in obtaining supporting documentation during this testing seems to support this finding. The internal control system over expenditures is not complete when the expenditure is approved by the Board, but is complete when the check is written and the supporting documentation is retained.

The Jail Canteen Lacks Adequate Segregation Of Duties

The Jail Canteen has a lack of adequate segregation of duties. Due to the entities diversity of official operations, small size, and budget restrictions the county has limited options for establishing an adequate segregation of duties.

We recommend the following controls be implemented to mitigate this internal control weakness:

- An independent person should review incoming invoices and compare them to the packing slip or purchase order. This can be documented by the person initialing the invoice.
- An independent person should complete bank reconciliation's or review the Canteen bookkeeper's bank reconciliation's for accuracy. This can be documented by the person initialing the bank reconciliation.
- An independent person should mail checks after final signature.
- Two signatures should be required on every check written for the Jail Canteen.

Jailer Ray C. Upchurch's Response: I have already corrected this issue by having myself and Chief Deputy the only ones to sign canteen checks.

STATE LAWS AND REGULATIONS

The Fiscal Court Should Enter Into A Written Agreement With The Depository Institution Stating Collateral Will Be Pledged To Protect Deposits

The Fiscal Court does not have a written pledge agreement with one depository institution, stating collateral will be pledged to protect deposits. On August 31, 2006, \$147,361 of the Fiscal Court's deposits of public funds in depository institutions were uninsured and unsecured, with no written agreement with the depository institution. According to KRS 66.480(1)(d) and KRS 42.140(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation, insurance, equals or exceeds the amounts of public funds or deposits at all times.

We recommend the Fiscal Court enter into an agreement with the depository institution in question stating that collateral will be pledged to protect deposits.

County Judge/Executive Greg Rankin's Response: The Fiscal Court currently has security pledges in place to insure and cover all funds.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

WAYNE COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2007**

Appendix A

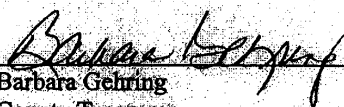
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WAYNE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2007

The Wayne County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Greg Rankin
County Judge/Executive



Barbara Gehring
County Treasurer

